

(Washington, DC) - Members of the tax-writing House Committee on Ways and Means U.S. Reps. Wally Herger (R-CA) and Ron Kind (D-WI) today outlined new legislation they introduced that would eliminate an inequity in the tax code requiring millions of self-employed individuals to pay additional payroll taxes on the cost of their health insurance. H.R. 3660, the Equity for our Nation's Self Employed Act, would eliminate a 15.3 percent tax on health insurance premiums for the self-employed, currently the only segment of the business population that pays this extra tax on health insurance.

"This critically important legislation would help expand health coverage to millions of currently uninsured American taxpayers, and make coverage more affordable to millions more who already have some level of insurance," Rep. Herger said. "This bill is a truly bipartisan effort aimed at leveling the playing field for millions of self-employed small business owners, including nearly 3 million in California alone, through common sense health care tax relief. I look forward to working with Rep. Kind in building support for this important change to our tax laws."

"Rising health care costs are pricing entrepreneurs and small business owners out of the market," added Rep. Kind. "When you add to that an inequity in the tax code that penalizes them further, it is no surprise that sixty percent of Americans without health insurance are from families where the head of household is self-employed or works in a small business. The 'Equity for our Nation's Self-Employed Act' is a commonsense bill that would provide immediate help to 16.7 million self-employed individuals, more than 340,000 in Wisconsin alone, who have the deck stacked against them when it comes to affording quality healthcare."

Under the current tax code, corporations are able to deduct health insurance premiums as a business expense and to forego payroll taxes on these expenses. In addition, their employees are able to pay for health coverage with pre-tax dollars. However, individuals that file as sole-proprietors must use after payroll tax dollars to pay their health insurance premiums, applying a 15.3 percent payroll tax to that portion of their income. This inequity is called the "Self-Employed Tax," and when applied to the \$12,100 per year the self-employed pay on average for family coverage, this tax amounts to approximately \$1,850 more to the federal government in payroll tax on these premiums every tax season.